



6th June 2002

Revision of financial forecast

Monto and Moorvale projects highlight growth prospects despite short-term impact of coal production shortfall

The Directors of Macarthur Coal Limited (ASX: MCC) today announced a revised forecast net profit after tax forecast of \$14.75m for the financial year ending 30th June 2002, as foreshadowed in the company's announcement of 16th May.

The revision comes as a result of a highwall failure in the Johnson Pit at the Coppabella mine in proximity to a geological fault, coupled with difficulties experienced during a changeover of mining contractors. This led to reduced exposure of mineable coal and hence lower coal production for the current quarter and a resultant one off impact on earnings.

Macarthur Coal's Managing Director and CEO Ken Talbot said the company was very disappointed to fall short of its maiden prospectus forecast of a \$16.6m net profit.

"The company's ability to meet forecast earnings was hindered by an unsatisfactory June 2002 quarter. This is particularly disappointing given that Macarthur Coal was already ahead having achieved 53% of prospectus forecast earnings within the first six months and 82% of prospectus forecast after the first nine months of the financial year.

"Based on its own internal reviews, the Directors believe the impact is short term in nature, with production targets expected to be met during the September 2002 quarter and onwards. However, the production setback has meant that sales for the June 2002 quarter will be substantially less than budget. Some sales will be recouped during the 2002/03 financial year as production ramps up at Coppabella and as the Moorvale mine comes into operation. At present, we are working closely with customers to maximise recovery of lost coal sales," Mr Talbot said.

The company has taken the following initiatives to minimise potential production setbacks in future including:

- Increasing the capacity for overburden removal which will take effect during the September 2002 quarter and will provide more flexibility for the mining operation. The implementation of a new dragline in the March 2003 quarter will also lead to substantial operating cost reductions.
- The evaluation of a number of mine plan options.
- Establishing larger benches in the highwall by increasing pre-stripping activities. This means that should a highwall failure arise in future, the bench will act as a buffer to minimise any potential dislocation to the mining operation.

Macarthur Coal Limited

ABN 40 096 001 955

Level 10, 380 Queen Street, Brisbane QLD 4000

Tel: (617) 3221 7210 Fax: (617) 3229 1776 Email: info@macarthurcoal.com.au

Monto and Moorvale Coal projects on horizon

Despite the setback, the medium-to-long-term outlook for Macarthur Coal remains positive. The company is on track to become a three mine organisation by the end of the 2003 financial year, which will provide the company with both diversity and reliability of supply, as well as sales and earnings growth.

Both the Monto and Moorvale Coal projects have advanced rapidly, and await the granting of Mining Leases before commencement of operations.

Monto, which is close to existing infrastructure and about 180km from the port of Gladstone, will initially be a 500,000 - 1 million tonnes per annum (tpa) mine. The potential to expand operations exists, and will be further evaluated once mining commences. Mining is expected to begin by year-end.

Moorvale is a low risk, open-cut mine located near Coppabella, and is set to produce at 1.6m tpa. With a mine life of 10 years, operations could commence as early as the first quarter 2003.

Annual Price Negotiations

Macarthur Coal has previously advised that it is expecting a price reduction for its low volatile pulverised (PCI) coal, influenced by the latest thermal coal settlements which were 8% lower. However in negotiations to date, the company has been successful in differentiating its product from that of the steaming coal sector.

Mr Talbot said, "As a consequence of differentiating Coppabella's PCI coal, we have been able to negotiate a different pricing arrangement to traditional steaming coals. As such, we are confident of achieving a better outcome than that of the steam coal negotiations.

"However as not all negotiations have been completed at this time, it is inappropriate to advise the actual results until all negotiations are finalised.

The company anticipates the completion of all negotiations within the next 3- 4 weeks.

Foreign Currency Hedging

The company will benefit during the next 2 years from a series of favourable foreign exchange hedging contracts totalling US\$76m. The contracts are at an AUD/USD exchange rate of \$0.4955, which compares to the prospectus forecast hedging rate of \$0.5855 for year ending June 2002.

Dividends

The production setback and lower coal price are not expected to impact the forecast final dividend payment for the 2002 financial year as the company intends to recover the lost profit with increased production during the 2003 financial year.

For further information contact:

Ken Talbot
Managing Director and CEO
Macarthur Coal Limited
Tel: 07 3221 7210

Bob Adams
Company Secretary and Chief Financial Officer
Macarthur Coal Limited

or visit the website: www.macarthurcoal.com.au